Written Statement Submitted to the Subcommittee on Income Security and Family Support

Committee on Ways and Means
U.S. House of Representatives

Hearing on

Measuring Poverty in America

Submitted by Amy Rynell, Director
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Mr. Chairman, members of the Subcommittee, I am pleased to submit testimony to the Subcommittee on Income Security and Family Support of the Ways and Means Committee. I am Amy Rynell, Director of the Mid-America Institute on Poverty of Heartland Alliance for Human Needs & Human Rights in Chicago, Illinois. Heartland Alliance provides housing, health care, legal protections, and economic security programs to 100,000 people each year who are poor or experiencing hardship. Additionally, we track and analyze poverty trends on the local, state, and national levels, and annually release an in-depth report on Illinois poverty. (see attachments)

Every day at Heartland Alliance we witness the realities of poverty as experienced firsthand by our program participants. We see families engaging in survival strategies such as making spending trade offs – choosing one month to forgo paying the electric bill so that the rent gets paid – and making risky decisions to stretch the money – taking half doses of medication to make prescriptions stretch farther. While many of these individuals and families are poor by the official definition, many others do not meet the standard definition yet still do not have enough money available to pay for all the goods and services necessary to get by in today's society.

The current measure of poverty has long since failed to give an accurate picture of what families need to realize a decent, though modest, standard of living. Many experts agree that it takes an income of around two times the poverty line to pay for a family's most basic expenses. The time is ripe to reevaluate the poverty measure and implement a relevant, useful measure that is both more complete in counting available family resources and that provides a realistic picture of how much income American families need to meet the price demands of their basic expenses such as housing, health care, child care, transportation, and food. Such a measure would present a picture of poverty that is anchored to real costs and would have the capacity to measure the impact policies and programs have on alleviating poverty, helping give a better sense of how to target resources.

A Picture of Poverty by the Current Measure

The current poverty measure, though inadequate in many ways, uncovers alarming trends. In the United States, nearly 37 million people experienced poverty in 2005, a rate of 12.6 percent. Little substantial progress has been made on lowering the poverty rate over the past 10 years; the rate has fluctuated between a high of 13.8 percent in 1995 and a low of 11.3 percent in 2000.[1] Additionally, people who are poor are increasingly poorer: individuals who are poor fell an average of $3,236 below the poverty line while poor families fell an average of $8,125 below the poverty line – the highest level on record.[2]

A similar picture emerges when looking at extreme poverty. Extreme poverty is defined as living below half the poverty line or 50% of the Federal Poverty Level, at about $10,000 for a family of four. Over the past decade, 2 million people in the U.S. have been added to the ranks of the extremely poor. Since 2000, extreme poverty rates have jumped back to mid-1990s levels, hovering at 5.4 percent in 2005. This means nearly *16 million* people in the richest country on

[1] U.S. Census Bureau, Current Population Survey 1996-2006 Annual Social and Economic Supplement, Microdata, calculation conducted by the Mid-America Institute on Poverty of Heartland Alliance.
[2] Center on Budget and Policy Priorities. (2006, September 1). *Poverty remains higher, and median income for non-elderly is lower, than when recession hit bottom: Poor performance unprecedented for four-year recovery period.* Washington DC: Author.

earth have incomes that are woefully inadequate to pay for even a fraction of what it takes to survive.

Poverty has serious individual and community consequences. A robust body of research has demonstrated the link between childhood poverty and a host of adverse health, educational, social, developmental, behavioral, and emotional outcomes for children. Growing up in poverty has adverse affects on children's physical, cognitive, and emotional health. Infants born to families who are poor are more likely to be low birth weight and have a greater risk of infant mortality. Poor children are twice as likely as their non-poor counterparts to be in poor health, three to four times as likely to suffer from lead poisoning, more likely to have unmet medical and dental needs, and more likely to experience injuries from accidents.[3] Poor children are also more likely to experience developmental delays and learning disabilities[4] and are at greater risk for suffering from behavioral or emotional problems.[5] The Center for American Progress developed a conservative estimate of the societal cost of child poverty and found that the cost to the United States economy from persistent childhood poverty is around $500 billion a year.[6]

At Heartland Alliance, we focus on alleviating the worst effects of poverty and on forging solutions to eliminate poverty. A discussion on the poverty measure has immense bearing on the populations we work with – in the form of their ability to access work supports and other public benefits such as housing assistance and food stamps. Our experience working with clients who are officially poor by the current measure and with those who are poor by a more comprehensive definition, has prompted this testimony in hopes that our experience as a service-based organization that also engages in research and policy analysis will lend valuable insight to the discussion.

The Current Poverty Measure Fails to Give a Complete Picture of Hardship

The current poverty measure certainly serves an important purpose for policy and programmatic considerations. It functions as a reliable and useful indicator of severe hardship and helps us understand trends and disparities among race and ethnicities, genders, ages, and other groups. However, we have learned from the many program participants who walk through the doors of Heartland Alliance that just because someone is not officially poor does not mean they have a standard of living that allows them to fully function and participate in American life.

There are two primary reasons the current poverty measure has declined in usefulness. First, the threshold is too low as it is based on outdated assumptions about family expenditures. Second, the current method does not accurately count family resources available to pay for expenses.

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[3] Gershoff, E. T., Aber, J.L., & Raver, C.C. (2003). Child poverty in the U.S.: An evidence-based conceptual framework for programs and policies. In R.M. Lerner, F. Jacobs, & D. Wertlieb (Eds.), "Promoting positive child, adolescent, and family development: A handbook of program and policy innovations," (pp. 81-136). Thousand Oaks, California: Sage Publications.
[4] Duncan, G.J., Brooks-Gunn, J., & Klebanov, P.K. (1994). Economic deprivation and early childhood development. *Childhood Development*, 65, 296-318.
[5] Duncan, G.J., Brooks-Gunn, J., & Klebanov, P.K. (1994). Economic deprivation and early childhood development. *Childhood Development*, 65, 296-318. and Kalil, A.K., & Ziol-Guest, K.M. (2006, May 8). *Lifetime income level, stability, and growth: Links to children's behavior, achievement, and health.* Chicago: Center for Human Potential and Public Policy, The Harris School of Public Policy Studies, University of Chicago.
[6] Holzer, H.J., Schanzenbach, D.W., Duncan, G.J., & Ludwig, J. (2007, January 24). *The economic costs of poverty in the United States: Subsequent effects of children growing up poor*. Washington DC: Center for American Progress.

Developed in 1965 and based on families' food expenditures, the current poverty measure has failed to evolve to reflect the financial realities faced by a 21st century family. Today, families are less likely to spend a third of their income on food, and are more likely to spend well over a third of their income on housing. In fact, nearly half of renters in the United States spend over 30 percent of their household income on housing costs.[7]

The medical expenses of a family are significantly higher than they were in the 1960s as workers are confronted with fewer offers of employer-sponsored health care coverage or increased employee contribution requirements. Additionally well-documented cost increases in the form of higher premiums, co-pays, and prescription drug costs further strain a family's budget.

Furthermore, the increase in single-parent families and the economic realities that have contributed to more dual-income households, have spurred a significantly greater need for child care. Child care is costly; on average, families in the United States with children under 5 spend nearly 10 percent of their income on child care costs. Families with children under 5 living below the poverty line pay around a quarter of their income toward care.[8]

Looking at the period from 2000 to 2005, a sobering picture shows that the ability of families to afford their most basic necessities is eroding. Energy costs rose by 42 percent, food costs rose by 14 percent, transportation costs rose by 13 percent, medical care costs rose by 24 percent, education costs rose by 36 percent, but consumer purchasing power **fell by 12 percent**.[9]

The families that we work with are still economically poor when they rise above the poverty threshold. They continue to struggle to put food in their children's stomachs, a roof over their heads, and shoes on their feet - typically until they have an income that is around two times the poverty level, about $41,000 for a family of four. It is only at that income threshold that they can achieve a modest, decent, self-sufficient standard of living. Even then, there is no money for other expenses, like birthday presents, an occasional meal out, debt repayment, retirement savings, or the numerous other expenses many of us do not think twice about.

The following budget illustrates this point. It is based on a one-parent family of three living in a small urban area. The parent works full time, all year, but makes low wages that put the family right at the poverty line. Unfortunately, this scenario is increasingly common as phenomena like globalization, outsourcing, automation, loss of manufacturing jobs, and growth in the low-paying service sector contribute to increases in low-wage work.

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[7] U.S. Census Bureau, 2005 American Community Survey, calculation conducted by the Mid-America Institute on Poverty of Heartland Alliance.
[8] National Association of Child Care Resource & Referral Agencies. (2006, May). *Child care in thirteen economically disadvantaged communities*. Arlington, VA: Author.
[9] U.S. Department of Labor, Bureau of Labor Statistics. (n.d.). *Consumer price index, create customized tables*. Retrieved November 1, 2006, from http://www.bls.gov/cpi/, calculation conducted by the Mid-America Institute on Poverty of Heartland Alliance.

Basic Expenses[10]	Budget
Monthly Earnings	**$1,383**
Housing (including utilities)	$656
Childcare	$830
Food	$445
Transportation	$232
Health Care	$231
Miscellaneous (clothing, school supplies, personal hygiene items, household products, etc.)	$239
Taxes	$140
Total Monthly Expenses	**$2,773**
BALANCE	***-$1,390***

It is apparent that this family cannot pay for their basic expenses until they reach nearly twice the poverty line. Two hundred percent of the Federal Poverty Level is an increasingly relied upon concept among social service providers, social science researchers, and advocacy groups. In the past several years, a number of family budget models have emerged that aim to more accurately reflect the true expenses modern families face. Groups such as Wider Opportunities for Women,[11] the Economic Policy Institute,[12] and the National Center on Child Poverty[13] have developed similar methodologies that do a number of important things:

- Measure income needed to pay for a decent, but very modest, standard of living without assistance – instead of measuring extreme deprivation as the current measure does, these family budget measures are linked to a goal – self-sufficiency.
- Account for geographic differences – the cost of living varies greatly depending on region of the country and urban or rural areas, and a measure of hardship that accounts for such variations is a much more powerful tool in assessing well-being.
- Account for family differences – not only in family size, but also by age of children, recognizing that expenses are different for different aged children.

The result is a more comprehensive picture of what families in America need to get by. While each family budget estimate varies slightly, the overarching theme is that families need substantially more than poverty level income to pay for basic necessities without assistance, and the current measure of poverty is simply not an accurate picture of what it takes to get by.

This realization is evident in a quick scan of the evolution of program eligibility criteria. Increasingly, programs are expanding eligibility to upwards of 200% of the Federal Poverty

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[10] Pearce, D., & Brooks, J. (2001, December). *The Self-Sufficiency Standard for Illinois*. Washington DC & Chicago: Wider Opportunities for Women & Women Employed, calculation conducted by the Mid-America Institute on Poverty of Heartland Alliance.
[11] Wider Opportunities for Women. (n.d.). *Six strategies for family economic self-sufficiency*. Retrieved August 13, 2007, from http://www.sixstrategies.org/
[12] Economic Policy Institute. (2007). *Basic family budgets*. Retrieved August 13, 2007, from http://www.epi.org/content.cfm/datazone_fambud_budget
[13] National Center on Child Poverty. (2007). *Family resource simulator*. Retrieved August 13, 2007, from http://www.nccp.org/tools/frs/

Level recognizing that the current poverty measure is simply not an accurate indicator of the hardship faced by families. The Food Stamp program and many states' medical programs have raised income eligibility criteria above the poverty line while other programs such as Illinois' child care program use a percent of the state median income, which is more inclusive of families who are experiencing hardship.

The other critical component to improving the poverty measure is a more comprehensive account of the income families have available. Currently the poverty measure excludes non-cash benefits such as food stamps and housing subsidies, and since it is a measure of income before taxes, it does not account for refundable tax credits like the Earned Income Tax Credit.[14]

A poverty measure that distinguishes between pre-tax, pre-transfer poverty and post-tax, post-transfer poverty would help determine the impact work supports and tax credits have on alleviating poverty. There are certain implications of incorporating additional family resources that must be understood and addressed. One such implication is program eligibility. There would need to be serious consideration given to how these changes would impact program eligibility, and agencies would need to consider how to best continue meeting program goals.

Additional Considerations for a Comprehensive Picture of Hardship

No single measure or statistic can capture every dimension of hardship or well-being. There are many aspects to poverty that are not apparent looking at income alone. Income tells us nothing about a family's long-term stability, their ability to weather unexpected job loss or other crises, and their progress toward generating and building savings for the future. A measure of asset poverty, defined as not having enough net worth to subsist at the poverty level for 3 months without income,[15] helps us understand more about the true financial viability of families.

Additionally, a measure of income poverty does not help us understand the extent to which people are able to actively participate in meaningful community, civic, and social opportunities. Income poverty, even when it is expanded to include the real costs of basic needs and the non-cash tangible benefits of existing programs, fails to capture the social aspects of poverty, such as the quality of education, that play critical roles in both one's ability to move toward self-sufficiency and building assets and to engage in civil society.

A poverty measure discussion that explores these considerations is certainly a step toward a measure that offers a more accurate, complete picture of hardship. This in turn can help us better target resources, help us understand the impact of our current policies, and help inform discussions around future policies and programs.

Thank you for considering these important issues.

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[14] U.S. Census Bureau. (n.d.). *Poverty – how the Census Bureau measures poverty*. Retrieved August 13, 2007, from http://www.census.gov/hhes/www/poverty/povdef.html

[15] CFED. (2007). *Asset poverty*. Retrieved January 2, 2007, from http://cfed.org/focu.m?showmeasures=1&parentid=&siteid=504&id=509&measureid=2841